SENATE TAXATION
EXHIBIT NO. 1
DATE 4.15.09
BILL NO HB658

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0658	**Title:**	Mitigate reappraisal
Primary Sponsor:	Jopek, Mike	**Status:**	As Amended in Senate Committee

- [x] Significant Local Gov Impact
- [ ] Needs to be included in HB 2
- [x] Technical Concerns
- [ ] Included in the Executive Budget
- [x] Significant Long-Term Impacts
- [ ] Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
General Fund	($1,072,621)	($695,892)	($772,383)	($154,111)
Revenue:				
General Fund	($8,175,744)	($21,342,021)	($33,833,589)	($46,221,075)
State Special Revenue	($683,621)	($1,509,118)	($2,285,427)	($3,041,833)
Net Impact-General Fund Balance:	($7,103,123)	($20,646,129)	($33,061,206)	($46,066,964)

Description of fiscal impact: HB 658 as amended phases-in reappraisal values over a six year period; establishes tax rates for class 3 agricultural land, class 4 residential and commercial real property, and class 10 forest land property. The bill raises the market value exemptions of class 4 residential and commercial property.

Note that this fiscal note is written from current law and not from HJR 2. In nearly all fiscal notes, current law and HJR 2 are the same. This fiscal note uses the growth assumption for property laid out in HJR 2. In the case of property tax for this biennium, the Legislature intentionally reduced the estimates in HJR 2 for the mitigation anticipated during this legislative session. The impacts of this legislation relative to HJR 2 are shown on page 18. Please use page 18 for purposes of comparing to HJR 2 or the general fund status.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

Property Valuation and Taxes

1. Under current law, the increase in reappraisal value for class 3 agricultural land, class 4 residential and commercial real property and class 10 forestland is phased in over six years. For each year over the six years, the homestead exemption for class 4 residential real properties would remain at 34% and the comstead exemption for class 4 commercial real properties would remain at 15%. The tax rate for classes 3 and 4 would be 3.01% and the tax rate for class 10 would be 0.35%.
2. HB 658 sets the following exemption and tax rates for class 3, 4 and 10 property:

	Class 3	Class 4				Class 10
Tax	Agricultural Property	Residential Property		Commercial Property		Forest land
Year	Tax Rate	Exemption	Tax Rate	Exemption	Tax Rate	Tax Rate
2009	2.93%	36.8%	2.93%	14.2%	2.93%	0.34%
2010	2.82%	39.5%	2.82%	15.9%	2.82%	0.33%
2011	2.72%	41.8%	2.72%	17.5%	2.72%	0.32%
2012	2.63%	44.0%	2.63%	19.0%	2.63%	0.31%
2013	2.54%	45.5%	2.54%	20.3%	2.54%	0.30%
2014	2.47%	47.0%	2.47%	21.5%	2.47%	0.29%

3. Under both current and proposed law, class 4 commercial multifamily dwellings would receive the homestead exemption but have the class 4 commercial tax rate applied to determine taxable value.
4. Section 6 of HB 658 exempts land devoted to park and roadway purposes for approved, platted subdivisions. Approval of the subdivision under state law triggers this exemption—which applies to areas platted for parks and roadways. To qualify for the exemption, the land dedicated to roadways or parks need not be developed or used. Further, the dedicated land need not be designated for public roadways or for public parks. Finally, such land in previously approved subdivisions, whether built-out or not, would qualify for exemption. Estimating the fiscal impact of this provision would require an extensive matching of local subdivision records with property tax records that cannot be completed in the timeframe allowed for fiscal notes. The fiscal impact is judged to be potentially material, but cannot be estimated at this time.
5. Section 7 of the bill effectively shortens the next reappraisal cycle to a five-year period for class 3, class 4, and class 10 property requiring the completion of reappraisal valuations by January 1, 2014, retaining the six-year phase-in ratio of 16.66%, and implementing the new reappraisal values in the 2015 tax year.
6. Section 7 also requires the department to provide a sales assessment ratio study during the second and fourth years of this reappraisal cycle to the revenue and transportation interim committee (RTIC).

Change in Agricultural and Forestland Property cost and capitalization rates

7. Section 9 modifies 15-7-201, MCA, increasing the base water cost for irrigated land to $15 per acre. It also increases the allowance for irrigation labor costs to $5 an acre for pivot sprinklers; to $10 an acre for tow lines, side roll, lateral sprinklers; to $15 an acre for hand-moved and flood irrigation systems.
8. Section 10 limits the capitalization rate that is used to calculate forest land values to not less than 8% for tax years 2009 through 2014. The impact of these changes on Class 3 and Class 10 property are shown in table 1 (below) with the current law impact of reappraisal.

Increase in Value Due to Reappraisal

9. Table 1 shows the estimated reappraisal increases in the values of class 3 agricultural land property, class 4 residential property, class 4 commercial multifamily property, class 4 other commercial property, and class 10 forestland.

Table 1

Type of Property	Full Market Value: 2003 Reappraisal	Full Market Value: 2009 Reappraisal	Full Market Value: Difference in Value	Percent Change
Class 3 - Agricultural Land	**$4,446,329,036**	**$5,642,225,118**	**$1,195,896,082**	**26.9%**
HB 658: Class 3 - Ag Land	**$4,446,329,036**	**$5,540,038,943**	**$1,093,709,907**	**24.6%**
Class 4 - Residential Property	$48,714,569,856	$75,575,222,942	$26,860,653,087	55.1%
Class 4 - Commercial: Multifamily Property	$2,226,005,531	$2,964,215,783	$738,210,253	33.2%
Class 4 - Commercial: All Other Property	$11,464,532,592	$15,444,499,573	$3,979,966,981	34.7%
Subtotal Class 4 Commercial	*$13,690,538,123*	*$18,408,715,357*	*$4,718,177,234*	*34.5%*
Class 4 Total	**$62,405,107,979**	**$93,983,938,299**	**$31,578,830,320**	***50.6%***
Class - 10 Forest Land	**$1,947,330,452**	**$2,954,056,906**	**$1,006,726,454**	**51.7%**
HB 658: Class 10 - Forest Land	**$1,947,330,452**	**$2,318,041,346**	**$370,710,894**	**19.0%**
All Reappraised Property (Current Law)	**$68,798,767,467**	**$102,580,220,323**	**$33,781,452,856**	**49.1%**
All Reappraised Property (HB 658)	**$68,798,767,467**	**$101,842,018,588**	**$33,043,251,121**	**48.0%**

Class 3 Agricultural Land

10. Because 15-6-133(2) MCA links the tax rate for class three property to the tax rate of class four property, the proposed changes to the class 4 tax rate in section 2 of the bill impacts the value of class 3 property. Table 2 displays class 3 agricultural land property values under current law and proposed law through FY 2013. Class 3 valuation the bill incorporates the adjustments for water and labor costs for irrigated land.

Table 2 - Class 3 Agricultural Land - Fiscal Impact of HB 658 (as Amended April 8, 2009)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
HB 658 (six-year phase-in)					
Market Value	$4,446,329,036	$4,628,614,021	$4,810,899,005	$5,008,830,639	$5,235,530,966
Tax Rate	**3.01%**	**2.93%**	**2.82%**	**2.72%**	**2.63%**
(effective tax rate)	*3.20%*	*3.11%*	*2.99%*	*2.89%*	*2.79%*
Taxable Value	$142,099,000	$143,993,045	$144,045,029	$144,653,245	$146,197,319
State Revenue					
State Mills	**$13,574,717**	**$13,755,656**	**$13,760,622**	**$13,818,724**	**$13,966,230**
University Mills	**$852,594**	**$863,958**	**$864,270**	**$867,919**	**$877,184**
Current Law (six-year phase-in)					
Market Value	$4,446,329,036	$4,645,645,050	$4,844,961,064	$5,060,083,832	$5,304,399,430
Tax Rate	**3.01%**	**3.01%**	**3.01%**	**3.01%**	**3.01%**
(effective tax rate)	*3.20%*	*3.20%*	*3.20%*	*3.20%*	*3.20%*
Taxable Value	$142,099,000	$148,468,885	$154,838,771	$161,713,820	$169,521,834
State Revenue					
State Mills (95.53 mills)	**$13,574,717**	**$14,183,233**	**$14,791,748**	**$15,448,521**	**$16,194,421**
University Mills (6 mills)	**$852,594**	**$890,813**	**$929,033**	**$970,283**	**$1,017,131**
Difference (HB 658 as Amended - Current Law)					
Taxable Value	$0	($4,475,841)	($10,793,741)	($17,060,575)	($23,324,515)
State Revenue					
State Mills	**$0**	**($427,577)**	**($1,031,126)**	**($1,629,797)**	**($2,228,191)**
University Mills	**$0**	**($26,855)**	**($64,762)**	**($102,363)**	**($139,947)**

Class 4 Residential Property Values

11. Section 2 of the bill amends the Class 4 tax rate by incrementally reducing it from 2.93% in TY 2009; to 2.82% in 2010; to 2.72% in 2011; to 2.63% in 2012; to 2.54% in 2013; and to 2.47% in 2014 and succeeding tax years. Section 5 amends 15-6-222 to incrementally increase the residential homestead exemption from 36.8% in TY 2009; to 39.5% in TY 2010; to 41.8% in TY 2011; to 44% in TY 2012; 45.5% in TY 2013; and 47% in TY 2014. Table 3 displays class 4 residential property values under current law and the values under the tax rates and exemptions proposed in sections 2 and 5 of the bill. Table 3 does not reflect the reduction of taxable value caused by Disabled American Veterans Program (DAV), the Property Tax Assistance Program (PTAP), and the Extended Property Tax Assistance Program (EPTAP).

Table 3 - Class 4 Residential Real Property - Fiscal Impact of HB 658 as Amended (April 8, 2009)					
	FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
HB 658 (six-year phase-in)					
Market Value	$48,714,569,856	$55,053,008,613	$61,613,365,387	$68,166,272,860	$74,925,046,142
Homestead Rate	**34.0%**	**36.8%**	**39.5%**	**41.8%**	**44.0%**
Taxable Market Value	$32,151,616,105	$34,793,501,444	$37,276,086,059	$39,672,770,804	$41,958,025,839
Tax Rate	**3.01%**	**2.93%**	**2.82%**	**2.72%**	**2.63%**
Taxable Value	$967,763,645	$1,019,449,592	$1,051,185,627	$1,079,099,366	$1,103,496,080
State Revenue					
State Mills	**$92,450,461**	**$97,388,020**	**$100,419,763**	**$103,086,362**	**$105,416,980**
University Mills	**$5,806,582**	**$6,116,698**	**$6,307,114**	**$6,474,596**	**$6,620,976**
Current Law (six-year phase-in)					
Market Value	$48,714,569,856	$55,053,008,613	$61,613,365,387	$68,166,272,860	$74,925,046,142
Homestead Rate	**34%**	**34%**	**34%**	**34%**	**34%**
Taxable Market Value	$32,151,616,105	$36,334,985,685	$40,664,821,155	$44,989,740,088	$49,450,530,454
Tax Rate	**3.01%**	**3.01%**	**3.01%**	**3.01%**	**3.01%**
Taxable Value	$967,763,645	$1,093,683,069	$1,224,011,117	$1,354,191,177	$1,488,460,967
State Revenue					
State Mills (95.53 mills)	**$92,450,461**	**$104,479,544**	**$116,929,782**	**$129,365,883**	**$142,192,676**
University Mills (6 mills)	**$5,806,582**	**$6,562,098**	**$7,344,067**	**$8,125,147**	**$8,930,766**
Difference (HB 658 as Amended - Current Law)					
Taxable Value	$0	($74,233,477)	($172,825,490)	($275,091,811)	($384,964,887)
State Revenue					
State Mills	**$0**	**($7,091,524)**	**($16,510,019)**	**($26,279,521)**	**($36,775,696)**
University Mills	**$0**	**($445,401)**	**($1,036,953)**	**($1,650,551)**	**($2,309,789)**

Class 4 Commercial Multifamily Property

12. Section 2 of the bill amends the Class 4 tax rate by incrementally reducing it from 2.93% in 2009; to 2.82% in 2010; to 2.72% in 2011; to 2.63% in 2012; to 2.54% in 2013; and to 2.47% in 2013 and succeeding tax years. Section 5 amends 15-6-222 to incrementally increase the residential homestead exemption from 36.8% in TY 2009; to 39.5% in TY 2010; to 41.8% in TY 2011; to 44% in TY 2012; 45.5% in TY 2013; and 47% in TY 2014. Under current law commercial multifamily property receives the homestead exemption and not the comstead exemption. Table 4 displays class 4 commercial multifamily property values under current law and the values under the tax rates and exemptions proposed in sections 2 and 5 of the bill.

Table 4 - Class 4 (Commercial) Multifamily - Fiscal Impact of HB 658 As Amended (April 8, 2009)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
HB 658 (six-year phase-in)					
Market Value	$2,226,005,531	$2,431,255,498	$2,643,692,374	$2,853,640,398	$3,070,184,274
Homestead Rate	**34.0%**	**36.8%**	**39.5%**	**41.8%**	**44.0%**
Taxable Market Value	$1,469,163,650	$1,536,553,475	$1,599,433,887	$1,660,818,712	$1,719,303,193
Tax Rate	**3.01%**	**2.93%**	**2.82%**	**2.72%**	**2.63%**
Taxable Value	$44,221,826	$45,021,017	$45,104,036	$45,174,269	$45,217,674
State Revenue					
State Mills	**$4,224,511**	**$4,300,858**	**$4,308,789**	**$4,315,498**	**$4,319,644**
University Mills	**$265,331**	**$270,126**	**$270,624**	**$271,046**	**$271,306**
Current Law (six-year phase-in)					
Market Value	$2,226,005,531	$2,431,255,498	$2,643,692,374	$2,853,640,398	$3,070,184,274
Homestead Rate	**34%**	**34%**	**34%**	**34%**	**34%**
Taxable Market Value	$1,469,163,650	$1,604,628,629	$1,744,836,967	$1,883,402,663	$2,026,321,621
Tax Rate	**3.01%**	**3.01%**	**3.01%**	**3.01%**	**3.01%**
Taxable Value	$44,221,826	$48,299,322	$52,519,593	$56,690,420	$60,992,281
State Revenue					
State Mills (95.53 mills)	**$4,224,511**	**$4,614,034**	**$5,017,197**	**$5,415,636**	**$5,826,593**
University Mills (6 mills)	**$265,331**	**$289,796**	**$315,118**	**$340,143**	**$365,954**
Difference (HB 658 as Amended - Current Law)					
Taxable Value	$0	($3,278,305)	($7,415,557)	($11,516,151)	($15,774,607)
State Revenue					
State Mills (95.53 mills)	**$0**	**($313,176)**	**($708,408)**	**($1,100,138)**	**($1,506,948)**
University Mills (6 mills)	**$0**	**($19,670)**	**($44,493)**	**($69,097)**	**($94,648)**

Class 4 Commercial Real Property

13. Section 2 of the bill amends the Class 4 tax rate by incrementally reducing it from 2.93% in 2009; to 2.82% in 2010; to 2.72% in 2011; to 2.63% in 2012; to 2.54% in 2013; and to 2.47% in 2013 and succeeding tax years. Section 5 amends 15-6-222 to incrementally increase the commercial comstead exemption from 14.2% in TY 2009; to 15.9% in TY 2010; to 17.5% in TY 2011; to 19% in TY 2012; to 20.3% in TY 2013; and to 21.5% in TY 2014. Table 5 displays class 4 commercial property values under current law and the values, not including multi-family property, under the tax rates and exemptions proposed in sections 2 and 5 of the bill.

Table 5 - Class 4 Commercial Real Property - Fiscal Impact of HB 658 as Amended (April 8, 2009)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
HB 658 (six-year phase-in)					
Market Value	$11,464,532,592	$12,552,327,821	$13,678,212,215	$14,792,060,036	$15,940,901,090
Comstead Rate	**15.0%**	**14.2%**	**15.9%**	**17.5%**	**19.0%**
Taxable Market Value	$9,744,852,704	$10,769,897,270	$11,503,376,473	$12,203,449,529	$12,912,129,883
Tax Rate	**3.01%**	**2.93%**	**2.82%**	**2.72%**	**2.63%**
Taxable Value	$293,320,066	$315,557,990	$324,395,217	$331,933,827	$339,589,016
State Revenue					
State Mills (95.53 mills)	**$28,020,866**	**$30,145,255**	**$30,989,475**	**$31,709,639**	**$32,440,939**
University Mills (6 mills)	**$1,759,920**	**$1,893,348**	**$1,946,371**	**$1,991,603**	**$2,037,534**
Current Law (six-year phase-in)					
Market Value	$11,464,532,592	$12,552,327,821	$13,678,212,215	$14,792,060,036	$15,940,901,090
Comstead Rate	**15%**	**15%**	**15%**	**15%**	**15%**
Taxable Market Value	$9,744,852,704	$10,669,478,648	$11,626,480,383	$12,573,251,030	$13,549,765,926
Tax Rate	**3.01%**	**3.01%**	**3.01%**	**3.01%**	**3.01%**
Taxable Value	$293,320,066	$321,151,307	$349,957,060	$378,454,856	$407,847,954
Difference (HB 658 as amended - Current Law)					
Taxable Value	$0	($5,593,317)	($25,561,843)	($46,521,029)	($68,258,938)
State Revenue					
State Mills (95.53 mills)	**$0**	**($534,330)**	**($2,441,923)**	**($4,444,154)**	**($6,520,776)**
University Mills (6 mills)	**$0**	**($33,560)**	**($153,371)**	**($279,126)**	**($409,554)**

Class 10 Forestland

14. Section 3 amends the Class 10 tax rate by incrementally reducing it from 0.34% in TY 2009; to 0.33% in TY 2010; to 0.32% in TY 2011; to 0.31% in TY 2012; to 0.30% in TY 2013; and to 0.29% in TY 2014. Table 6 displays class 10 forestland property values under current law and the values under the tax rates proposed in section 3 of the bill through FY 2013.

Table 6 - Class 10 Forestland - Fiscal Impact of HB 658 as Amended (April 8, 2009)					
	FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
HB 658 (six-year phase-in)					
Market Value	$1,947,330,452	$2,009,115,601	$2,070,900,750	$2,115,837,680	$2,160,419,609
Tax Rate	**0.35%**	**0.34%**	**0.33%**	**0.32%**	**0.31%**
Taxable Value	$6,815,657	$6,830,993	$6,833,972	$6,770,681	$6,697,301
State Revenue					
State Mills	**$651,100**	**$652,565**	**$652,849**	**$646,803**	**$639,793**
University Mills	**$40,894**	**$40,986**	**$41,004**	**$40,624**	**$40,184**
Current Law (six-year phase-in)					
Market Value	$1,947,330,452	$2,115,118,194	$2,282,905,937	$2,431,333,199	$2,578,587,886
Tax Rate	**0.35%**	**0.35%**	**0.35%**	**0.35%**	**0.35%**
Taxable Value	$6,815,657	$7,402,914	$7,990,171	$8,509,666	$9,025,058
Difference (HB 658 as Amended - Current Law)					
Taxable Value	$0	($571,921)	($1,156,198)	($1,738,986)	($2,327,757)
State Revenue					
State Mills (95.53 mills)	**$0**	**($54,636)**	**($110,452)**	**($166,125)**	**($222,371)**
University Mills (6 mills)	**$0**	**($3,432)**	**($6,937)**	**($10,434)**	**($13,967)**

15. Table 7 summarizes the state general fund differences for all reappraised classes between current law, proposed law, and HJR 2 through FY 2013.

Table 7 - Summary of Change in General Fund Property Tax Revenue HB 685 as Amended (April 8, 2009)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
HB 658 (six-year phase-in)					
Class 3 - Agricultural Land	$13,574,717	$13,755,656	$13,760,622	$13,818,724	$13,966,230
Class 4 - Residential	$92,450,461	$97,388,020	$100,419,763	$103,086,362	$105,416,980
Class 4 - Commercial: Multifamily Property	$4,224,511	$4,300,858	$4,308,789	$4,315,498	$4,319,644
Class 4 - Commercial: All Other Property	$28,020,866	$30,145,255	$30,989,475	$31,709,639	$32,440,939
Class 4 Total	$124,695,838	$131,834,132	$135,718,026	$139,111,499	$142,177,564
Class - 10 Forest Land	$651,100	$652,565	$652,849	$646,803	$639,793
Total	**$138,921,655**	**$146,242,352**	**$150,131,498**	**$153,577,026**	**$156,783,587**
Current Law (six-year phase-in)					
Class 3 - Agricultural Land	$13,574,717	$14,183,233	$14,791,748	$15,448,521	$16,194,421
Class 4 - Residential Property	$92,450,461	$104,479,544	$116,929,782	$129,365,883	$142,192,676
Class 4 - Commercial: Multifamily Property	$4,224,511	$4,614,034	$5,017,197	$5,415,636	$5,826,593
Class 4 - Commercial: All Other Property	$28,020,866	$30,679,584	$33,431,398	$36,153,792	$38,961,715
Class 4 Total	$124,695,838	$139,773,162	$155,378,377	$170,935,311	$186,980,984
Class - 10 Forest Land	$651,100	$707,200	$763,301	$812,928	$862,164
Total	**$138,921,655**	**$154,663,595**	**$170,933,425**	**$187,196,761**	**$204,037,568**
Difference in State Revenue (HB 658 as Amended - Current Law)					
Class 3 - Agricultural Land	$0	($427,577)	($1,031,126)	($1,629,797)	($2,228,191)
Class 4 - Residential Property	$0	($7,091,524)	($16,510,019)	($26,279,521)	($36,775,696)
Class 4 - Commercial: Multifamily Property	$0	($313,176)	($708,408)	($1,100,138)	($1,506,948)
Class 4 - Commercial: All Other Property	$0	($534,330)	($2,441,923)	($4,444,154)	($6,520,776)
Class 4 Total	$0	($7,939,030)	($19,660,350)	($31,823,812)	($44,803,420)
Class - 10 Forest Land	$0	($54,636)	($110,452)	($166,125)	($222,371)
Total Change	**$0**	**($8,421,243)**	**($20,801,928)**	**($33,619,735)**	**($47,253,982)**
HJR 2 (Fully mitigated with base growth)					
Class 3 - Agricultural Land	$13,574,717	$13,574,717	$13,574,717	$13,617,255	$13,733,765
Class 4 - Residential Property	$92,450,461	$95,686,168	$99,035,247	$102,146,304	$105,355,113
Class 4 - Commercial: Multifamily Property	$4,224,511	$4,372,366	$4,525,402	$4,667,561	$4,814,187
Class 4 - Commercial: All Other Property	$28,020,866	$29,001,578	$30,016,653	$30,959,585	$31,932,145
Class 4 Total	*$124,695,838*	*$129,060,113*	*$133,577,301*	*$137,773,450*	*$142,101,445*
Class - 10 Forest Land	$651,100	$651,100	$651,100	$645,956	$640,853
Total	$138,921,655	$143,285,930	$147,803,118	$152,036,662	$156,476,063
Difference (HB 658 as Amended - HJR 2)					
Class 3 - Agricultural Land	$0	$180,938	$185,904	$201,469	$232,465
Class 4 - Residential Property	$0	$1,701,851	$1,384,516	$940,058	$61,868
Class 4 - Commercial: Multifamily Property	$0	($71,508)	($216,613)	($352,063)	($494,543)
Class 4 - Commercial: All Other Property	$0	$1,143,676	$972,822	$750,054	$508,794
Class 4 Total	$0	$2,774,019	$2,140,725	$1,338,048	$76,119
Class - 10 Forest Land	$0	$1,465	$1,750	$847	($1,060)
Total	**$0**	**$2,956,422**	**$2,328,379**	**$1,540,365**	**$307,524**

16. Table 8 summarizes the University (6 Mill) State Special Revenue differences for all reappraised classes between current law, proposed law, and HJR 2 through FY 2013.

Table 8 - Summary of Change in University State Special Property Tax Revenue under HB 685 as Amended

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
HB 658 (six-year phase-in)					
Class 3 - Agricultural Land	**$852,594**	**$863,958**	**$864,270**	**$867,919**	**$877,184**
Class 4 - Residential	$5,806,582	$6,116,698	$6,307,114	$6,474,596	$6,620,976
Class 4 - Commercial: Multifamily Property	$265,331	$270,126	$270,624	$271,046	$271,306
Class 4 - Commercial: All Other Property	$1,759,920	$1,893,348	$1,946,371	$1,991,603	$2,037,534
Class 4 Total	**$7,831,833**	**$8,280,172**	**$8,524,109**	**$8,737,245**	**$8,929,817**
Class - 10 Forest Land	$40,894	$40,986	$41,004	$40,624	$40,184
Total	**$8,725,321**	**$9,185,116**	**$9,429,383**	**$9,645,788**	**$9,847,184**
Current Law (six-year phase-in)					
Class 3 - Agricultural Land	$852,594	$890,813	$929,033	$970,283	$1,017,131
Class 4 - Residential Property	$5,806,582	$6,562,098	$7,344,067	$8,125,147	$8,930,766
Class 4 - Commercial: Multifamily Property	$265,331	$289,796	$315,118	$340,143	$365,954
Class 4 - Commercial: All Other Property	$1,759,920	$1,926,908	$2,099,742	$2,270,729	$2,447,088
Class 4 Total	**$7,831,833**	**$8,778,802**	**$9,758,927**	**$10,736,019**	**$11,743,807**
Class - 10 Forest Land	$40,894	$44,417	$47,941	$51,058	$54,150
Total	**$8,725,321**	**$9,714,033**	**$10,735,900**	**$11,757,360**	**$12,815,089**
Difference in State Revenue (HB 658 as Amended - Current Law)					
Class 3 - Agricultural Land	$0	($26,855)	($64,762)	($102,363)	($139,947)
Class 4 - Residential Property	$0	($445,401)	($1,036,953)	($1,650,551)	($2,309,789)
Class 4 - Commercial: Multifamily Property	$0	($19,670)	($44,493)	($69,097)	($94,648)
Class 4 - Commercial: All Other Property	$0	($33,560)	($153,371)	($279,126)	($409,554)
Class 4 Total	*$0*	*($498,631)*	*($1,234,817)*	*($1,998,774)*	*($2,813,991)*
Class - 10 Forest Land	$0	($3,432)	($6,937)	($10,434)	($13,967)
Total	**$0**	**($528,917)**	**($1,306,517)**	**($2,111,571)**	**($2,967,904)**
HJR 2 (Fully mitigated with base growth)					
Class 3 - Agricultural Land	$852,594	$852,594	$852,594	$855,266	$862,583
Class 4 - Residential Property	$5,806,582	$6,009,809	$6,220,156	$6,415,553	$6,617,091
Class 4 - Commercial: Multifamily Property	$265,331	$274,617	$284,229	$293,158	$302,367
Class 4 - Commercial: All Other Property	$1,759,920	$1,821,516	$1,885,271	$1,944,494	$2,005,578
Class 4 Total	*$7,831,833*	*$8,105,942*	*$8,389,656*	*$8,653,205*	*$8,925,036*
Class - 10 Forest Land	$40,894	$40,894	$40,894	$40,571	$40,250
Total	$8,725,321	$8,999,430	$9,283,144	$9,549,042	$9,827,870
Difference (HB 658 as Amended - HJR 2)					
Class 3 - Agricultural Land	$0	$11,364	$11,676	$12,654	$14,601
Class 4 - Residential Property	$0	$106,889	$86,958	$59,043	$3,886
Class 4 - Commercial: Multifamily Property	$0	($4,491)	($13,605)	($22,112)	($31,061)
Class 4 - Commercial: All Other Property	$0	$71,831	$61,101	$47,109	$31,956
Class 4 Total	$0	$174,229	$134,454	$84,039	$4,781
Class - 10 Forest Land	$0	$92	$110	$53	($67)
Total	**$0**	**$185,685**	**$146,240**	**$96,746**	**$19,315**

17. Section 1 amends the language for reporting the base, incremental and taxable values for tax increment financing districts. This language addresses administrative issues and will not add any additional cost.

Extended Property Assistance Program (EPTAP)

18. The following table shows the impact from the changes in the Extended Property Assistance Program (EPTAP). The estimated cost of the current EPTAP program is based on the criteria laid out in section 4 of the bill. Two groups of program participants were developed, the first group was based on current law and the second group was based on proposed law. Income tax data was based on adjusted TY 2007 data. The difference between the impacts to the two groups was used to estimate the cost of this bill. Under current law the taxable value of the residential property would be higher than the taxable value of the same property under proposed law. The mitigation measure contained in HB658 lowers the impact the EPTAP program would have on the state general fund and the state special revenue fund for the University System. The amended bill retains the requirement to mail notice to potential homeowners that may qualify for the EPTAP program.
19. In HJR 2, the impact of the extended property assistance program is included in assumptions about baseline taxable value and the growth of taxable value. There is no separate assumption of the impact of this exemption. Since HJR 2 assumes that the 2008 reappraisal will not result in any additional property tax revenue and the tax rate and homestead exemption provisions of HB 658 attempt to keep property tax revenue constant, the tax reductions under HB 658 can be assumed to be the same as the reductions implicit in HJR 2. Therefore the impact is assumed to be zero.

Extended Property Tax Assistance Program
Reduction in Taxable Value and Revenue Due to HB 658 as Amended

HB658	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
Taxable Value	($1,402,151)	($2,007,664)	($2,377,643)	($2,469,186)
State Mills (95.53)	($133,947)	($191,792)	($227,136)	($235,881)
University Mills (6)	($8,413)	($12,046)	($14,266)	($14,815)
Total	($142,360)	($203,838)	($241,402)	($250,696)
Current Law	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
Taxable Value	($12,730,888)	($25,461,773)	($38,192,660)	($50,923,547)
State Mills (95.53)	($1,216,182)	($2,432,363)	($3,648,545)	($4,864,726)
University Mills (6)	($76,385)	($152,771)	($229,156)	($305,541)
Total	($1,292,567)	($2,585,134)	($3,877,701)	($5,170,268)
Difference HB 658 - CL				
State Mills (95.53)	$1,082,234	$2,240,571	$3,421,409	$4,628,845
University Mills (6)	$67,972	$140,725	$214,890	$290,726

Property Tax Assistance Program (PTAP)

20. The property tax assistance program, in section 15-6-134, MCA, provides a partial property tax exemption for taxpayers with incomes below a certain threshold. HB 658 affects this program in two ways. The changes in tax rates and homestead exemptions change property taxes for eligible homeowners. HB 658 also requires DOR to identify potentially eligible taxpayers and send them applications. Currently, the

DOR sends applications to taxpayers who participated in the previous year, but depends on taxpayers to initially identify themselves. Based on an analysis of taxpayers who claimed the $400 property tax refund in 2007, about 12% of eligible taxpayers participate in the program. In 2009, this bill would give a very short window for DOR to identify and mail applications to potentially eligible taxpayers and for taxpayers to return the applications. In the following years, the department would have more time, and would be able to concentrate on identifying and contacting eligible taxpayers who were not yet participating. It is expected that the percentage of eligible taxpayers participating in the program would increase to 40% in FY 2010, 75% in FY 2011, and 90% in following years.

21. In HJR 2, the future revenue impact of the property tax assistance program (PTAP) is implicit in the assumptions of baseline taxable value and taxable value growth. HJR 2 assumes that there will be no increase in taxable value from the 2009 reappraisal. Since HB 658 adjusts the Class 4 tax rate and the homestead exemption to keep the taxable value of existing Class 4 residential property constant, the HJR 2 revenue impact is assumed to be the same as the impact with the HB 658 tax rates, homestead exemptions, and current participation rate.
22. The following tables show the property tax assistance program's (PTAP) impact on general fund revenue, university system revenue, and local revenue. The first row shows the impact under current law. The second shows the impact under HB 658 with current participation rates as a proxy for HJR 2. The third shows the impact under HB 658 with the assumed increases in participation, and the right-hand column shows the difference between the impacts with HB 658 and the HJR 2 impacts.

Property Tax Assistance Program
Revenue Impact of Taxable Value Reduction due to HB 658

General Fund Revenue Reductions (PTAP)

	FY 2010	FY 2011	FY2012	FY 2013
Current Law	($940,109)	($909,522)	($874,422)	($832,208)
HJ2	($896,347)	($995,117)	($1,019,772)	($1,016,651)
HB658	($1,799,927)	($3,742,110)	($4,590,033)	($4,537,631)
HB 658 - HJ2	**($903,581)**	**($2,746,993)**	**($3,570,261)**	**($3,520,980)**

University System Revenue Reductions (PTAP)

	FY 2010	FY 2011	FY2012	FY 2013
Current Law	($58,954)	($57,038)	($54,838)	($52,192)
HJ2	($56,210)	($62,410)	($63,964)	($63,772)
HB658	($99,503)	($234,693)	($303,898)	($300,446)
HB 658 - HJ2	**($43,292)**	**($172,282)**	**($239,934)**	**($236,674)**

Local Government and School District Revenue Reductions (PTAP)

	FY 2010	FY 2011	FY2012	FY 2013
Current Law	($4,581,886)	($4,268,964)	($3,977,873)	($3,636,778)
HJ2	($4,661,123)	($5,399,710)	($5,760,969)	($5,909,812)
HB658	($8,251,051)	($20,305,456)	($27,370,920)	($27,842,742)
HB 658 - HJ2	**($3,589,928)**	**($14,905,745)**	**($21,609,950)**	**($21,932,930)**

Disabled American Veterans Property Tax Assistance Program(DAV)

23. The following table shows the impact from the changes in the Disabled American Veterans (DAV) property tax assistance program. In HJR 2, the impact of the DAV exemption is included in assumptions about baseline taxable value and the growth of taxable value. There is no separate assumption of the impact of this exemption. Since HJR 2 assumes that the 2008 reappraisal will not result in any additional property tax revenue and the tax rate and homestead exemption provisions of HB 658 attempt to keep property tax revenue constant, the tax reductions under HB 658 can be assumed to be the same as the reductions implicit in HJR 2.

Disabled American Veteran Property Tax Assistance
Reduction in Taxable Value due to HB 658 as Amended

HB658	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
Taxable Value	($3,317,125)	($3,306,000)	($3,299,323)	($3,285,207)
State Mills (95.53)	($316,885)	($315,822)	($315,184)	($313,836)
University Mills (6)	($19,903)	($19,836)	($19,796)	($19,711)
Total	**($336,788)**	**($335,658)**	**($334,980)**	**($333,547)**
Current Law	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
Taxable Value	($3,558,668)	($3,849,540)	($4,140,410)	($4,431,282)
State Mills (95.53)	($339,960)	($367,747)	($395,533)	($423,320)
University Mills (6)	($21,352)	($23,097)	($24,842)	($26,588)
Total	**($361,312)**	**($390,844)**	**($420,376)**	**($449,908)**
Difference	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
Taxable Value	$241,543	$543,540	$841,087	$1,146,075
State Mills (95.53)	$23,075	$51,924	$80,349	$109,485
University Mills (6)	$1,449	$3,261	$5,047	$6,876
Total	**$24,524**	**$55,186**	**$85,396**	**$116,361**

Department Costs

Property Assessment Division

24. Section 2 requires the department to mail a notice of the PTAP program, an application, and qualifications to taxpayers likely to qualify, based on the department's records.
25. Section 4 requires the department to mail a notice of the EPTAP program, an application, and qualifications to taxpayers likely to qualify, based on the department's records.
26. The impact of the required mailing in sections 2 and 4 will increase both the department's administrative costs and the fiscal cost of both programs due to increased utilization. The estimated annual cost for mailing PTAP applications is $179,175 per year. The estimated annual cost for mailing EPTAP applications is $35,090 per year. This will require the property assessment division to have increased personal service costs for 14.50 Property Valuation Specialists to process 238,897 Property Tax Assistance (PTAP) applications and 4 Property Valuation Specialists to process 46,784 Extended Property Tax Assistance Program (EPTAP) applications.
27. Section 6 requires that land dedicated exclusively to parks or roads pursuant to Title 76 – Chapter 3 be exempt. This would require the property assessment division with the assistance of local government planning and subdivision staff to identify and update Orion information to exempt the property. It is

unknown at this time how many parcels would be impacted by this and the extent of the cost to the DOR and local governments.

28. Section 7 of the bill requires the DOR to provide the Revenue and Transportation Interim Committee on the second and fourth year of the reappraisal cycle with a sales assessment ratio study of residential property. To accomplish this requirement, the property assessment division would require 5.30 FTE tax appraisers to keep sales verifications current. It would also require a 0.50 FTE time management analyst for updating cost tables in FY 2013. The estimated staff and costs for this feature of the legislation is for the incremental costs above the base level of the DOR's budget for property assessment functions in the Executive Budget. The studies themselves are estimated to cost $75,000 in FY 2011 and in FY 2013.
29. A significant amount of time is spent attempting to identify specific property characteristics that are pertinent to the valuation of each property. The use of a self reporting form will improve the accuracy of information gathered by the division. This improved accuracy will result in a reduced number of taxpayers who feel compelled to file property tax appeals on their property value. The intent is to cover 25% of the properties annually. There would be an additional cost for the self-reporting mailing of $126,400 in FY 2010, $129,451 in FY 2011, $131,005 in FY 2012, and $132,578 in FY 2013.
30. An amendment to section 7 of the bill effectively changes the next reappraisal cycle from six years to five years. It requires reappraisal values to be available by January 1, 2014 while the application will not occur until January 1, 2015. This will require the property assessment division to have increased personal service costs for the 7.50 FTE appraisers needed to complete the required reappraisal field reviews each year in FY 2010 through FY 2013. The estimated staff and costs for this feature of the legislation is for the incremental costs above the base level of the DOR's budget for property assessment functions in the Executive Budget.
31. To accomplish the reappraisal, National Agriculture Imagery Program (NAIP) imagery is needed. After acquisition, the latest NAIP imagery is compared to the previous year's imagery. Coupled with other available information, the comparison process will allow DOR to identify changes in use associated with agricultural lands. The cost of acquiring statewide NAIP imagery is estimated at $ 30,000 each year.
32. Section 8 amends 15-10-420, MCA, to further define the calculation of the newly taxable value for new construction, expansion or remodeling. In order to identify the value of newly taxable property, a programming change will need to be made in Orion to capture the newly taxable value of the property in the first year of construction, expansion or remodeling and to track and report the increase in the phase-in values for subsequent years of the reappraisal. Currently, the newly taxable value associated with new construction, expansion or remodeling is only tracked and reported the first year. The administration and tracking of this property will cost the Department $49,500 for 300 hours of Orion programming changes.
33. Sections 9 and 10 of HB 658 would create a forest land advisory council and maintain the existing agricultural land valuation advisory council. The estimated cost associated with staffing these councils is $36,800 in FY 2012.
34. Other costs associated with fulfilling the requirements laid out in sections 9 and 10 of the bill are time trend analyses, capitalization rate studies, focus group meetings, forest land information updates, and a forest land analysis contract. The additional cost total $383,900.
35. Each reappraisal cycle, DOR undertakes a program to educate the public about the cyclical reappraisal of classes 3, 4 and 10 properties. The cost of this educational/informational taxpayer program is estimated at $50,047 per year through FY 2012 and $60,000 in FY 2013 for increased advertising in the last year of the appraisal cycle.

HB 658 amended: Department of Revenue Administrative Costs

5 Year Reappraisal Cycle	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
FTE	7.30	7.40	7.50	7.60
Personnel Services	$347,761	$351,804	$355,848	$359,892
Other Costs- PAD	$0	$0	$0	$420,700
Equipment	$36,715	$0	$0	$0
Annual Operating Costs	$51,072	$53,872	$53,872	$53,872
5 Year Reappraisal Cycle Sub-Total	**$435,548**	**$405,676**	**$409,720**	**$834,464**

Sales Assessment Studies	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
FTE	5.00	5.00	5.00	5.00
Personnel Services	$239,736	$239,736	$239,736	$239,736
Other Costs- PAD	$206,447	$284,498	$211,052	$297,578
Equipment	$26,225	$0	$0	$0
Annual Operating Costs	$36,480	$38,480	$38,480	$45,776
Sales Assessment Sub-Total	**$508,888**	**$562,714**	**$489,268**	**$583,090**

Property Tax Assistance Program	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
FTE	14.50	14.50	14.50	14.50
Personnel Services	$502,875	$502,875	$502,875	$502,875
Other Costs- PAD	$179,175	$179,175	$179,175	$179,175
Equipment	$78,675	$0	$0	$0
Annual Operating Costs	$109,440	$115,440	$115,440	$115,440
PTAP Sub-Total	**$870,165**	**$797,490**	**$797,490**	**$797,490**

Extended Property Tax Assistance Program	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
FTE	4.00	4.00	4.00	4.00
Personnel Services	$137,688	$137,688	$137,688	$137,688
Other Costs- PAD	$35,090	$35,090	$35,090	$35,090
Equipment	$20,980	$0	$0	$0
Annual Operating Costs	$29,184	$30,784	$30,784	$30,784
EPTAP Sub-Total	**$222,942**	**$203,562**	**$203,562**	**$203,562**

Newly Taxable Property	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
FTE	0.00	0.00	0.00	0.00
Personnel Services	$0	$0	$0	$0
Other Costs- PAD	$49,500	$0	$0	$0
Equipment	$0	$0	$0	$0
Annual Operating Costs	$0	$0	$0	$0
Newly Taxable Property Sub-Total	**$49,500**	**$0**	**$0**	**$0**
Total Department Administrative Cost	**$2,087,043**	**$1,969,442**	**$1,900,040**	**$2,418,606**

Office of Public Instruction

36. Current law higher growth rate assumptions due to the phasing-in of reappraisal, current tax rates, and current exemption levels are: 7.42% in FY 2010, 8.08 in FY 2011, 8.04% in FY 2012 and 7.93% in FY 2013.
37. HB 658 relative to the higher growth rates in the previous assumption would result in a GTB savings to the state general fund of $2.5 million in FY 2010, and a savings of approximately $1.8 million in subsequent years
38. Revenue received from county school levies for all district funds will not change due to this bill. Local school district mills would adjust to provide the needed revenue. The amount each taxpayer pays will change based on property tax value changes.
39. Countywide retirement GTB will result in a general fund savings of approximately $0.7 million in FY 2010, and there will be a $0.8 savings per year in subsequent years. This is based on a historical average of 28% of the costs paid by the state and FY 2009 County levies of $65.1 million.

	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**
Change in Taxable Value	3.92%	4.94%	4.90%	4.79%
FY 2009 County Levies	$65,100,000	$65,100,000	$65,100,000	$65,100,000
State Share	28%	28%	28%	28%
County Retirement	($675,024)	($850,668)	($843,780)	($824,838)

40. Under HJR 2 assumptions the change in taxable value from HJR 2 to HB 658 would have a GTB savings to the state general fund of $0.5 million in FY 2010, and a cost of approximately $0.7 million in subsequent years.
41. Revenue received from county school levies for all district funds will not change due to this bill. Local school district mills would adjust to provide the needed revenue. The amount each taxpayer pays will change based on property tax value changes.
42. Countywide retirement GTB will result in a general fund savings of approximately $0.1 million in FY 2010, and there will be a $20,000 savings per year in subsequent years. This is based on a historical average of 28% of the costs paid by the state and FY 2009 County levies of $65.1 million.

	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**
Change in Taxable Value	-0.64%	-0.17%	-0.10%	-0.20%
FY 2009 County Levies	$65,100,000	$65,100,000	$65,100,000	$65,100,000
State Share	28%	28%	28%	28%
County Retirement	($109,651)	($29,060)	($17,568)	($34,831)

HB 658 as Amended Expenditure and Revenue Impact Relative to HJR 2

Fiscal Impact:	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Department of Revenue				
FTE	30.80	30.90	31.00	31.10
Expenditures:				
Personal Services	$1,228,060	$1,232,103	$1,236,147	$1,240,191
Operating Expenses	$226,176	$238,576	$238,576	$245,872
Other Costs - Property Assessment Div.	$470,212	$498,763	$425,317	$932,543
Equipment	$162,595	$0	$0	$0
TOTAL Expenditures	$2,087,043	$1,969,442	$1,900,040	$2,418,606
Office of Public Instruction				
Expenditures:				
Local Assitance: GTB	($472,075)	$749,314	$702,008	$738,209
Local Assistance: Co. Retire. (GTB)	($109,651)	($29,060)	($17,568)	($34,831)
TOTAL Expenditures	($581,726)	$720,254	$684,440	$703,378
Funding of Expenditures (all agencies):				
General Fund (01)	$1,505,317	$2,689,696	$2,584,480	$3,121,984
Revenue				
Tax Credits (01)	$0	$0	$0	$0
General Fund Property Tax	$2,956,422	$2,328,379	$1,540,365	$307,524
Disabled Veterans Property Tax Assistance	$0	$0	$0	$0
Property Tax Assitance Program	($903,581)	($2,746,993)	($3,570,261)	($3,520,980)
Extended Property Tax Assistance (01)	$0	$0	$0	$0
Total General Fund Revenue	**$2,052,841**	**($418,614)**	**($2,029,896)**	**($3,213,456)**
SSR (6 mill) Property Tax	$185,685	$146,240	$96,746	$19,315
Disabled Veterans Property Tax Assistance	$0	$0	$0	$0
Property Tax Assitance Program	($43,292)	($172,282)	($239,934)	($236,674)
Extended Property Tax Assistance (02)	$0	$0	$0	$0
Total State Special Revenue	**$142,393**	**($26,042)**	**($143,188)**	**($217,359)**
TOTAL Revenues	$2,195,234	($444,656)	($2,173,084)	($3,430,815)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	$547,524	($3,108,310)	($4,614,376)	($6,335,440)
State Special Revenue (02)	$142,393	($26,042)	($143,188)	($217,359)

Effect on County or Other Local Revenues or Expenditures:

1. Local governments will see the same decreases from current law taxable value (as shown in Tables 2, 3, 4, 5 and 6). However, since local government mill levies are set on current year taxable values, and revenue governed by 15-10-420, MCA, local mill levies will adjust to generate the required property tax revenue.
2. Section 6 requires that land dedicated exclusively to parks or roads pursuant to Title 76 – Chapter 3 be exempt. This would require local government planning and subdivision staff to identify and update Orion information to exempt the property. It is unknown at this time how many parcels would be impacted by this and the extent of the cost to the local governments.
3. The exemption created in section 6 of the bill will reduce local government's tax bases. The extent of the reduction in their tax bases is unknown.

HB 658 as Amended: Expenditure and Revenue Impact Relative to Present Law

Fiscal Impact:	**FY 2010 Difference**	**FY 2011 Difference**	**FY 2012 Difference**	**FY 2013 Difference**
Department of Revenue				
FTE	30.80	30.90	31.00	31.10
Expenditures:				
Personal Services	$1,228,060	$1,232,103	$1,236,147	$1,240,191
Operating Expenses	$226,176	$238,576	$238,576	$245,872
Other Costs - Property Assessment Div.	$470,212	$498,763	$425,317	$932,543
Equipment	$162,595	$0	$0	$0
TOTAL Expenditures	$2,087,043	$1,969,442	$1,900,040	$2,418,606
Office of Public Instruction				
Expenditures:				
Local Assistance: GTB	($2,484,640)	($1,814,666)	($1,828,643)	($1,747,879)
Local Assistance: Co. Retire. (GTB)	($675,024)	($850,668)	($843,780)	($824,838)
TOTAL Expenditures	($3,159,664)	($2,665,334)	($2,672,423)	($2,572,717)
Funding of Expenditures (all agencies):				
General Fund (01)	($1,072,621)	($695,892)	($772,383)	($154,111)
Revenue				
General Fund Property Tax	($8,421,234)	($20,801,928)	($33,619,735)	($47,253,982)
Disabled Veterans Property Tax Assistance	$23,075	$51,924	$80,349	$109,485
Property Tax Assitance Program	($859,818)	($2,832,588)	($3,715,611)	($3,705,423)
Extended Property Tax Assistance (01)	$1,082,234	$2,240,571	$3,421,408	$4,628,845
Total General Fund Revenue	**($8,175,744)**	**($21,342,021)**	**($33,833,589)**	**($46,221,075)**
SSR (6 mill) Property Tax	($712,494)	($1,475,448)	($2,256,304)	($3,091,181)
Disabled Veterans Property Tax Assistance	$1,449	$3,261	$5,047	$6,876
Property Tax Assitance Program	($40,548)	($177,655)	($249,060)	($248,255)
Extended Property Tax Assistance (02)	$67,972	$140,724	$214,890	$290,726
Total State Special Revenue	**($683,621)**	**($1,509,118)**	**($2,285,427)**	**($3,041,833)**
TOTAL Revenues	($8,859,365)	($22,851,139)	($36,119,016)	($49,262,908)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($7,103,123)	($20,646,129)	($33,061,206)	($46,066,964)
State Special Revenue (02)	($683,621)	($1,509,118)	($2,285,427)	($3,041,833)

Technical Notes:

Department of Revenue

1. Section 6 requires that land dedicated exclusively to parks or roads be exempt. A survey may contain a dedication that any parks and roads are used for public purposes, but those roads and parks may not be in a public area, e.g. gated communities. This will require local governments to survey all current and platted subdivisions to determine the actual amount of land that would need to be taken off the property tax rolls. The language is not clear about when the exemption is applied.
2. Section 8 amends 15-10-420, MCA, to further define the calculation of the newly taxable value for new construction, expansion or remodeling. The language for this amendment is confusing and needs to be clarified. If the intent of this amendment is to address the concerns of local government officials that the calculations of newly taxable value include the entire value of the property, not the phase-in values, the following suggested language is proposed:

   "(c) For the purpose of subsection (3)(a)(ii), the value of newly taxable class four property that was constructed, expanded, or remodeled property since the completion of the last reappraisal cycle is the current year market value of that property less the previous year market value of that property.

3. Section 11 extends the filing deadlines for the PTAP and DAV Programs. This deadline change may impact the certification of values for local governments, which is to be completed by the first Monday in August. If PTAP and DAV applications aren't received until July 15, there may not be time to process the applications and include the adjusted values in the certifications.
4. Dependent on the changes made by the mitigation strategies that are enacted, potential programming changes, delayed assessments, etc. the following amendment is suggested:

   "Extension of 2009 deadlines relating to property taxation: As a result of the changes in the mitigation strategy of reappraisal for class three, four, and ten property enacted by the 61st legislature, it may not be possible to comply with certain statutory deadlines relating to appraisals, assessments, reimbursements, budgets, and collection of property taxes. The state appraisal and assessment process may be delayed, which in turn may cause delays for the tax appeal boards and local government taxing jurisdiction budgeting and collection processes. Therefore, for tax year 2009, all deadlines are extended as necessary and reasonable, except that the time limits allowed for filing an appeal remain the same as provided by law in order to allow for the orderly and efficient assessment and collection of taxes."

5. All of the Department administrative cost projections are based upon the assumption of a base budget, as reflected in the executive budget proposal for the 2011 biennium. The legislature's current HB 2 budget reflects a $3.0 million (6.0%) annual funding reduction, given this DOR will be required require revise this fiscal note and adjust all administrative cost projections accordingly as the impact of this funding reduction is projected to be staff reductions in the Property Assessment Division of potentially 30-40 FTE. These reductions would prevent DOR and the Property Assessment Division from fulfilling the duties required by HB 658 without additional FTE.

Office of Public Instruction

6. Section 20-9-131, MCA, requires school district trustees to meet to consider all budget information on or before August 15. The trustees must adopt the final budget of the school district and determine the amounts to be raised by tax levies no later than the fourth Monday in August. If the school district does not receive the final taxable valuation of the school district by August 15, the trustees will find it difficult to meet their statutory obligations associated with the adoption of the budget, public meetings, and notice requirements.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*